

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-05

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 PA-01

USIA-06 PRS-01 FTC-01 /087 W
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R 121830Z DEC 74

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 9157

C O N F I D E N T I A L BUENOS AIRES 9005

E.O. 11652: GDS

TAGS: ENRG, AR

SUBJECT: EXXON: DEVELOPMENTS & CURRENT SITUATION

REF: A. BA 8035, B. STATE 266478

1. SUMMARY. EMBASSY APPRECIATES DEPARTMENT'S SUMMARY OF CONVERSATIONS WITH EXXON REPS. IT APPEARS TO US THEY MAY NOT BE FULLY UPDATED ON SITUATION HERE. LOCAL REPS REMAIN VERY CONCERNED OVER DEVELOPMENTS. HOWEVER, THEY ARE HOPEFUL OUTSTANDING PROBLEMS CAN BE RESOLVED. END SUMMARY

2. EMBOFF DISCUSSED ESSO SITUATION WITH LOCAL REP FOLLOWING LATTER'S RECENT RETURN FROM US WHERE SITUATION OF ESSO ARGENTINA DISCUSSED WITH HOME OFFICE. LOCAL REP SAID HE FRANKLY "FED UP" WITH ESSO'S SITUATION HERE AND PLANS TO TELL GOMEZ MORALES THIS IF HE GETS OPPORTUNITY. WHILE HOPEFUL OUTSTANDING PROBLEMS CAN BE RESOLVED IN DISCUSSIONS WITH GOA OFFICIALS, HE APPEARS PREPARED TO TAKE MORE VIGOROUS ACTION IN COURTS IF NECESSARY. FOLLOWING COMMENTS REFER TO POINTS RAISED REFTEL.

3. IT IS TRUE ESSO INITIALLY FOLLOWED POLICY OF REFUSING
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TRANSFER RECEIPTS TO YPF AS STIPULATED BY DECREES. HOWEVER,

THIS POSITION GRADUALLY ERODED UNDER INCREASING GOA PRESSURE. ACCORDING TO ESSO REPS HERE, BY MID-OCTOBER, ESSO PASSING ALL CASH AND CURRENT INCOME TO YPF IN ACCORD GOA DECREES. ONLY EXCEPTION HAS BEEN CREDIT SALES WHICH ESSO REPORTEDLY HAS CONTINUED TO KEEP FOR ITSELF. ESSO REPS ESTIMATED CREDIT SALES REPRESENT ABOUT 20 PERCENT OF TOTAL SALES.

4. ESSO REPS HERE SAY THEIR FINANCIAL SITUATION ADEQUATE FOR TIME BEING, IN PART BECAUSE THEY ABLE TO MEET PAYROLL ETC WITH RECEIPTS FROM CREDIT SALES, AND ALSO BECAUSE THEY DELAYED AS LONG AS POSSIBLE TRANSFERRING CASH AND OTHER RECEIPTS TO YPF. THEY BLEIEVE SITUATION OF OTHER COMPANIES MAY BE MORE SERIOUS. AT LEAST ONE PRIVATE ARGENTINE COMAPNY, ISAURA, REPORTEDLY HAVING DIFFICULTY MEETING PAYROLL AS RESULT CURRENT ANOMOLOUS SITUATION. TWO WEEKS AGO, INDUSTRY MET WITH SECRETARY REVESTIDO WHO PROMISED QUICK SETTLEMENT YPF DEBTS TO PRIVATE COMPANIES, BUT YPF STILL HAS NOT MADE ANY PAYMENTS TO ANY PRIVATE COMPANY AS FAR AS WE KNOW.

5. WE ARE SURPRISED EXXON REPS WOULD REFER TO "BUSINESS AS USUAL" IN ARGENTINA SINCE GOA QUITE ARBITRARILY HAS CONVERTED PRIVATE OIL COMPANIES INTO YPF AGENTS THUS FAR WITH NO PAYMENT. MOREOVER, WHILE GOMEZ MORALES HAS ASSURED US HE DOES NOT WANT TO TOUCH ESSO REFINERY (SEE NOV 19 MEMCON BETWEEN AMB HILL AND GOMEZ MORALES) DECREES IN FORCE STIPULATE PROCESSING OF OIL MUST BE FOR YPF ACCOUNT. ESSO STRONGLY OPPOSED TO OPERATING REFINERY ON THIS BASIS.

6. REGARDING EXPLORATION. LOCAL REP SAYS HE DOUBTS VERY MUCH ESSO WOULD BE INTERESTED IN ANY "CONTRACT" OR "SERVICE" TYPE ARRANGEMENT WITH YPF EVEN IF IT WERE OFFERED. ESSO PARTICIPATION IN FORM OF "JOINT PARTNERSHIP" WITH YPF MIGHT BE MORE ATTRACTIVE POSSIBILITY, BUT HE CERTAINLY NOT PREDICTING THIS WILL COME ABOUT.

7. DESPITE PAS PROBLEMS, ESSO REMAINS HOPEFUL THAT NEW ECONOMIC LEADERSHIP ANXIOUS TO ERASE PREVIOUS MISTAKES AND SEE OUTSTANDING ISSUES SETTLED. EMBASSY SHARES THIS HOPE; IN FACT, DURING AMBASSADOR'S NOV 19 MEETING WITH GOMEZ MORALES, MINISTER WAS QUITE ENCOURAGING IN THIS REGARD. HOWEVER, AS EMBASSY HAS

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REITERATED IN PAST AND DEPARTMENT ALREADY WELL AWARE, POLITICAL SENSITIVITIES HAVE NOW BEEN AROUSED OVER ISSUE AND GOA WILL HAVE TO MOVE CAREFULLY. WE DO NOT DISCOUNT POSSIBILITY THAT GOA COULD BE PROPELLED TOWARD CONTINUED "TOUGH" ATTITUDE VIS A VIS FOREIGN OIL INTERESTS IF IT FELT SUCH POSITION REQUIRED TO CONSOLIDATE DOMESTIC POLITICAL SUPPORT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, NATIONALIZATION, LAW, REPORTS, POLICIES
Control Number: n/a
Copy: SINGLE
Draft Date: 12 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BUENOS09005
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740361-0847
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741241/aaaabixf.tel
Line Count: 114
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 74 BA 8035, 74 STATE 266478
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 05 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 SEP 2002 by boyleja>; APPROVED <18 MAR 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EXXON: DEVELOPMENTS & CURRENT SITUATION
TAGS: ENRG, AR, EXXON, ESSO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005